

Independent Auditors' Report

On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Audit Committee, the Board of Directors, and
the Inspector General of the Export-Import Bank of the United States

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Export-Import Bank of the United States ("Ex-Im Bank" or the "Bank") as of and for the year ended September 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ex-Im Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ex-Im Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of Ex-Im Bank's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control that we consider to be, in aggregate, a significant deficiency.

Significant Deficiency: 2014-001 Guaranteed Loan Liability

Condition: During our testing of the Guaranteed Loan Liability, the following errors were noted:

1. A short term single buyer insurance (ESS) transaction was rated using the Sovereign Risk Budget Cost Level (BCL) while a Non-Sovereign BCL rating should have been used,
2. Due to a formula error, cash balances for short term and medium term insurance in the CSC2 input form were incorrectly entered, and
3. The authorization dates of amended working capital guarantees (WC) were incorrectly entered.

Criteria: BCL Ratings, formulas in input forms, and authorization dates of transactions should be correctly reflected.

Cause: Causes of errors identified above are listed below, respectively:

1. An input error in the BCL rating for an ESS transaction occurred and was not detected by review of the BCL ratings,
2. Incorrect formulas were entered in the CSC2 input form for short term and medium term insurance which were not detected by review of the input form, and
3. The proper documents of amended WC were not received by the Office of the Chief Financial Officer (OCFO) until January 2014, despite the fact that they were approved prior to September 30, 2013.

Effect or potential effect: The effect of CSC2 input error resulted in an understatement of \$42 million in guaranteed loan liabilities as of September 30, 2014. Ex-Im Bank reflected the adjustment in the financial statements. Errors due to ESS BCL rating and authorization date errors were not corrected by Ex-Im Bank as the monetary effects of the ESS BCL rating and authorization date error were approximately \$350,000 and deemed to be immaterial by Ex-Im Bank.

Recommendation: We recommend that Ex-Im Bank enhances the effectiveness of the review processes over the ESS risk rating and CSC2 input form to ensure that correct ratings are assigned and formulas in the input form are accurate, respectively. For the amendment of WC transactions, we recommend that management established a process to ensure that the OCFO is timely notified of amendments to documents.

Ex-Im Bank's response to finding: As of the report date, Ex-Im Bank has not responded to the finding identified above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ex-Im Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 14-02.



Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Ex-Im Bank's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 14-02, in considering Ex-Im Bank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte + Touche LLP

McLean, Virginia
November 14, 2014